

RETURN

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To an Order of the House of Commons, dated March 6, 1905, for copies of all reports, returns, estimates, correspondence, writings, records, documents, memoranda, or written or printed information of any kind in the possession or control of the Post Office Department, in reference to the question of establishing rural mail delivery in Canada, or the manner of establishing or conducting such service, and the probable cost; including any information in the possession of the department as to the working of the United States system, or such a service or system elsewhere, and the annual expense and other particulars.

R. W. SCOTT,

Secretary of State.

POST OFFICE DEPARTMENT, OTTAWA, May 22, 1905.

The Honourable the Postmaster General,
Ottawa.

SIR,—We have the honour to report that, in accordance with your instructions, we made a visit to Washington for the purpose of inquiring as to the various features of the rural free delivery service so far as they appeared to bear on the question as to whether it would be expedient to introduce the same system into Canada. We were courteously received by the Postmaster General, who directed the several officers to whom application was necessary to afford us all available information on the subject. In the course of our communications with the several officers, it was obvious that the service was very popular, but their attitude towards the subject seemed to confirm the impression conveyed by the later departmental reports that there was less likelihood than there had been that this branch of the service would become eventually self-sustaining.

In the matter of obtaining positive information as the eventual scope and cost of the service, and the statistics which would enable us to arrive at conclusions as to the increase of postal business consequent upon the establishment of rural free delivery, our visit was not specially successful. The Postmaster General, and the fourth assistant, who has this service under his jurisdiction, have just assumed office, and have not had time to inform themselves on the subject sufficiently to formulate the future policy which would be pursued by the department; and, in the absence of instructions from his superiors, the superintendent of the service was unable to speak with authority on the matter. As you desired, we applied to the auditor of the department, who has charge of all revenue statistics, for figures which would show the growth of the revenues in the counties, in which the rural free delivery has been in operation for several years; but he declared that no such statistics were kept in the department, nor was he able to compile them from the figures he had in hand. The reports of the Postmaster General for 1903 and 1904 contain statements showing the cost of the service and an estimate of the amount of postage collected on the routes for the years under report. We endeavoured to have these supplemented by estimates for earlier years, but were assured by the superintendent that it was only since January 1, 1903,

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that statistics had been compiled, for which they would be prepared to vouch. You desired that information be obtained as to the extent of territory still uncovered by this service, and as to how far the plans on which the department has been working would carry the country in the way of expense. On neither point could information of a specific character be obtained. There is still a vast extent of territory remaining outside the rural free delivery service, but the officials were of opinion that when the plans on which they have been working are carried to completion, the great mass of the rural population would be enjoying the benefits of the free delivery of their correspondence. They do not contemplate extending the service to the very sparsely settled districts until population increases to a point, which will enable the department to serve them under their rule. This rule requires a population of at least 100 families on a route from 25 to 30 miles, before the district becomes intitled to a free delivery carrier. Under the limitations of this regulation, there will remain a vast territory still outside of the benefits of the free delivery service. So that, in addition to the very large expenditure necessary for carrying out the present plans, there will be a constant increase, which will either be gradual or immediate. If the present regulation is adhered to the increase in the outlay will go on concurrently with the increase in the population; if, as seems likely, the constant pressure on Congress results in lowering the unit of population necessary for a free delivery route from 100 families to 75 or 50 families, the large augmentation in the cost, beyond present calculation, will be immediate. On the question of the limits of the present expansion, there was little of a reliable character to be obtained. There are at present 30,000 routes in operation, and new routes are being opened at the rate of 500 a month. How long this rate of expansion would be maintained was a subject on which the officials did not desire to speculate. The estimate of \$24,000,000 made by the officials in the departmental report of 1902 has proved so wide of the mark that they do not care to hazard another guess in the matter. Two officials, who are as well informed as is possible on the present and future of the service made speculations; one thought that at least 45,000 services would be in operation before the present plans were accomplished, the other did not think that much less than 60,000 services would suffice to the same end.

In reply to questions as to the measure of accommodation the department felt bound to furnish in establishing a free delivery service in a district, no definite answers were given. So much depended on the circumstances of a district, that the department usually accepted the recommendation of the road agent, who was instructed to report on the establishment of the route. Speaking generally, however, the department thought that it would be found that on the newer routes, every house was within one-half mile of a point passed by a carrier. There was no general rule followed as to travelling along side roads. If the district were thickly settled and all the roads good, many of the side roads would be travelled by the carrier; if the circumstances were not so favourable, the visiting of the side roads was not recognized as an obligation.

A point of much interest is the service of the smaller towns and villages. In these cases, the post offices are still maintained, and the rural free delivery carrier passing through these places, ceases his delivery within a radius of one-half mile therefrom. These places exchange their mails either by means of the rural delivery carrier passing en route, or by a special courier. In the former case, the service is not as expeditious as before the free delivery service was established, since a carrier, who visits all the houses on his route cannot possibly travel as fast as if he were unhampered with this duty. Where a special carrier is employed, there is a double service being carried on over the same routes, one for the local deliveries, the other for the offices still maintained at the points on the route.

There is also found in the facts just stated, material justifying a fresh demand on the post office funds. At present, correspondence is delivered at the doors of those who dwell in cities, on the one side, and of those who dwell in strictly rural districts on the other.

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The only class, who under the present policy are being deprived of the privilege are the residents in the towns or villages, whose population is less than 10,000 or whose postal revenue is less than \$10,000. That these last will not remain in their present anomalous position is obvious. Indeed in 1902 a Bill was introduced in Congress to lower the limits intitling communities to free delivery, to five thousand population or \$5,000 a year revenue. The Bill did not become law, but the department fully anticipated that it would, and had their arrangements for carrying it into effect. The department reported that the effect of the Bill would be to extend the free delivery service to 1,000 towns and would involve the employment of 2,500 carriers, whose salaries would be for the first year \$1,500,000, and thereafter \$2,150,000 a year. But this would provide for but a fraction of the incorporated towns and villages in the United States, which under the present regulations do not enjoy the benefits of free delivery service. By the census of 1900, there are 10,180 incorporated places in the United States with a population less than 10,000; and the department must look forward to the time when all these places will insist upon being on an equal footing with the large towns and cities, on the one side, and the purely rural districts on the other. To give these places such a service as their interests would require, viz.: two deliveries daily in the business parts and one delivery daily in the outlying sections, would require, it is estimated, 15,820 carriers. At the existing rates of pay for letter carrier service in the smaller towns in the United States, there would be involved an outlay of \$9,492,000 the first year, and \$13,447,000 for each year thereafter. This additional expenditure seems an inevitable consequence of the present policy; and the policy itself is not subject to criticism, once the rural free delivery service has been introduced to replace a service which is at present in many respects excellent.

Another set of facts which furnish grounds for apprehension that all the elements affecting the eventual cost of the service have not yet been determined, is the pay of the carriers. When the first experiments were made with rural free delivery service in 1896, the department having but a small amount to devote to this class of service, induced the carriers to accept \$150 a year. This amount was soon after raised to \$300, and in 1898 it was increased to \$400 a year. On July 1, 1900, another \$100 per annum was added to the pay. On July 1, 1902, there was another increase of \$100, making the pay \$600 a year. By way of supplementing this obviously inadequate salary, the carriers were also permitted by the statute to carry on an express package business, provided it did not interfere with the discharge of their official duties. This latter arrangement, however, was not found satisfactory, as the carriers became, in practice, competitors of the post office in the conveyance of small parcels of merchandise, and in 1904, the last revision to date was made. Under it, the pay for a full route of from 25 to 30 miles was fixed at \$720 a year, and express package business was greatly limited in scope. The carrier was only permitted to carry such parcels as were handed to him by one of his patrons on his route for delivery to another patron on the same route. He was also allowed to carry such articles as by their weight or perishable nature would not be accepted by the post office. It is to be noted on this point that the department has not been quite successful in depriving the carrier of the means of competing with the post office for the conveyance of packets of merchandise. The temporary addition of a heavy valueless article to the contents of a parcel will furnish merchant and carrier with the means of evading the departmental regulations regarding the limit of weight.

As has been stated, the maximum salary allowed a rural free delivery carrier is \$720 a year. For this sum, he must, in addition to his own labour of seven or nine hours per day, furnish a horse and vehicle and always hold a substitute carrier and one or more horses in reserve. From any standpoint, this rate of pay is extremely low. The carrier travels from seven to nine hours a day and has to bear the expense and risk of keeping a horse and vehicle in good working order. In many cases the carrier starts on his trip from a town, in which there are letter carriers, whose hours of labour are no longer than his and whose work is no more onerous and responsible, and who,

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though burdened in no way with the expenses and risks incident to the employment of a horse and vehicle, receive more pay than is coming to him. The salaries of letter carriers in the cities and towns of the United States range from six hundred dollars to one thousand dollars where the population exceeds 75,000, and from \$600 to \$850, where the population is less than 75,000. That the rural carrier, who must reside at or near the place from which he takes his start can be satisfied with this disparity of condition is impossible. If the rural free delivery service were under contemplation in Canada, every consideration of fairness would require that the rural carrier should receive at least the same pay as the letter carriers employed in the cities and towns, and in addition a sufficient sum to enable him to maintain a horse and vehicle in working condition. The present maximum pay of letter carriers in Canada is \$720 a year, and to this it would seem should be added from \$12 to \$15 a month for horse and vehicle. An addition of \$150 a year to the carriers' pay would at once augment the cost at least \$4,500,000 a year, and the outlay on this head alone for the service, when the present plans are complete, will be enhanced by between \$6,750,000 and \$9,000,000 a year, according to which departmental estimate of the number of services finally required is accepted.

That the rural delivery service is being carried on at an enormous loss so far as concerns the departmental revenues is shown by the following facts from the United States departmental reports of 1903 and 1904: The test of the remunerative quality of a service that the revenue derived from the service or route will cover the expense of the service. In so far as it fails to do so, to that extent is the service non-paying. Tried by this test, the service for the year 1904 showed a deficit of \$10,080,062, on an expenditure of \$12,681,877. But it may be urged that some attention should be given to the postage of the correspondence posted at other offices and delivered on the rural free delivery routes. The revenue on matter delivered on a route is always credited to the office at which it is posted, but to avoid any appearance of unfairness, it is proposed to add together the postage on correspondence collected from the route and the postage on correspondence delivered on the route, and dividing the total in two, credit one-half to the rural free delivery service, and the other half to the offices at which the matter is posted. Applying this test, it is found that the amount to be credited to the rural free delivery service is \$4,528,896, and that the deficit was \$8,152,981 for the year ended June 30, 1904. With the figures representing the amount expended for the service in 1903 and 1904, together with those showing the amounts to be credited to the service in the way of revenue therefrom, for the same years, the loss connected with the expenditure for new services during the year ended June 30, 1904, may be arrived at. Thus for the year ended June 30, 1903, the total amount expended for rural free delivery was \$8,101,929; the corresponding figures for 1904 are \$12,681,877, showing an increased expenditure for 1904 of \$4,579,948. The revenue returns, arrived at on the principle of crediting the rural free delivery with one-half of the total combined receipts from the correspondence collected from the route and delivered thereon were in 1903, \$3,088,075; the corresponding figures for 1904 were \$4,528,896, showing an increase in receipts for the year 1904 of \$1,440,821. Thus with an additional outlay of \$4,579,948, there was an additional revenue of only \$1,440,821, indicating a loss of \$3,139,127, or 68½ per cent of the total amount expended for additions to the service during the year. With this clue we are able to arrive at some idea of what the future deficits will be. Thus for the year 1905-6 there has been appropriated for this service \$26,822,900, an increase of \$14,141,023, over 1904. At the same percentage of loss as took place on the new service established during the year ending June 30, 1904, the loss on this \$14,141,023 will be \$9,686,600, and the total deficit on rural free delivery at the end of June, 1906, will be \$17,839,581. The amount of the deficit will, as a matter of fact, be much larger, from the fact that the more remunerative areas must have been already covered, and the new services will necessarily go into districts which cannot yield as large returns as those now covered. We could not, however, come closer to actual results, and with this explanation

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the figures given will perhaps serve. When the 45,000 or 60,000 services are put on, to complete present plans, the deficit will, on the same favourable estimate, be from \$21,659,195 to \$29,057,195.

This view of the matter has not failed to attract the attention of the more thoughtful of the United States newspapers. Recently an article appeared in the *American Agriculturist*, a leading agricultural paper, dealing with the subject, in which it pointed out that the actual loss per month on each rural mail route is \$39, and for the year \$468; and that on the 30,000 routes now in operation, the loss is over \$14,000,000. It further states that the collection of each rural post wagon is less than 22 pieces of letters and post cards, and less than 2 pieces of newspapers, circulars and parcels, or perhaps 2 pounds; that the postage coming in from the average postal route is about \$10 a month.

On referring to the report of the United States department for 1904, we find that the figures given by the *Agricultural Gazette* are decidedly too favourable. Among the statistics published in the report is the average monthly revenue per route in each state. The highest monthly average is \$20.71, in the state of Utah, leaving a monthly loss of \$39.29, or \$471.48 per route per annum; farther down the list with a monthly average of \$12.22, or a monthly loss per route of \$47.78, stands New York; Michigan, Maryland, Pennsylvania and Ohio report monthly revenues of from \$11 to \$12, and so on down to the bottom of the list, in which the monthly average is \$5.42, leaving a deficit per month of \$54.58 per route or an annual loss of \$654.96 per route. These figures are, be it remembered, obtained in the much more thickly settled rural districts of the United States. With these as a guide it is doubtful whether the Canadian average collections per route would be much more than \$5, the rates of postage being practically the same in the two countries. Assuming that the pay of the Canadian rural delivery carrier is \$720, for a full route, this would mean a deficit of something approaching \$660 per route per year, and if 5,000 routes only were established, the annual loss would be \$3,300,000.

To sum up this branch of the subject, the cost of the rural free delivery service in the United States, according to present plans and at present rates of pay will be from \$32,400,000 to \$43,200,000, according to which United States estimate of the number of services required is adopted. The deficit on this service, on the most liberal estimate of returns, cannot be less than \$20,000,000, and will almost certainly be over \$30,000,000. We have shown reasons for believing that the remuneration of the carriers cannot in our opinion be considered as finally settled and that to establish it an additional expenditure of from \$6,750,000 to \$9,000,000 a year is necessary. As an immediate consequence of city free delivery and rural free delivery, the intermediate aggregations of population, that is, the incorporated towns and villages of less than 10,000 cannot fail to demand the same benefits for themselves and to satisfy this demand, a further outlay of over \$13,000,000 a year will be necessary. There is also another point to be noted in passing, namely, the fact that on the existing services, there are a number of houses from one-half mile to a mile from the carrier's route, and as a great variety of advantages are claimed from the sections visited directly by the carriers, enhancing, it has been said, the value of the property directly on these routes by 25 per cent, there will be a continued pressure on the department to have the roads still untravelled by the carriers, put on the same favourable footing as the adjacent roads. This will lead to expense, which cannot, however, be estimated.

It must also be observed that there is no finality about the present plans of the department, however liberal they may be. There is still an immense extent of territory to which the department does not at present contemplate granting rural free delivery, but as this country fills up or as pressure on the government succeeds, there will be new services required continually.

As to the merits of the rural free delivery service, there can be no question that they are very considerable, though it is easy to exaggerate them. It brings the post office directly to the door of a great mass of people in settled rural districts, and

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nearer than it is now to the doors of many. Instead of these people having to go or to send to the post office for their correspondence, it is delivered either at or within a short distance of their doors. To business people this regular prompt delivery of correspondence would be a great benefit. But this service is not for business people, or at least they enjoy it to but a limited extent. People in towns and villages, where business men are generally found are so far outside the range of this service, that a carrier passing through one suspends his deliveries when he comes within half a mile of the place, and does not resume it until he has got one-half mile beyond it. The great bulk of the letters which are delivered in farming communities are of a social nature, or if they relate to matters of business they are seldom of urgency. Indeed, if the letters are of real urgency, it just depends on the situation of the addresses on the route, whether the waiting for the rural carrier may not be a delay, as compared with the former delivery from a post office. Where a post office was, as usually happened, in the centre of the district which it served, and has been replaced by a carrier service, all those who live on the way to the former post office will be in a position to get their letters earlier than if they had to wait until the letters reached the post office. On the other hand, all those who live beyond the post office, which has been abolished, will have to wait longer for their letters than if they were at the post office to receive them when the letters arrived. The advantages in time are also modified by the fact that a carrier who delivers at every door necessarily makes a slower trip than if he is allowed to go to his destination direct. The real indisputable advantage of the rural free delivery service lies in the means it provides for a farmer to get his newspapers daily. Newspapers are the one article of correspondence, the importance of which lies in their being regularly delivered, and the rural free delivery service is a great accommodation in this respect. Whether, however, the public gain from providing the rural classes with the means of a regular receipt of their newspapers, is great enough to justify the immense outlay is a question. This is the class of correspondence the delivery of which by the department is carried on at an immense loss to its revenue. The United States department calculated in 1895, while rural free delivery was still only a speculation, that the loss on the conveyance of newspapers and periodicals was nearly \$20,000,000. In the United States while the general advantages of an early and regular delivery of daily newspapers is much dwelt upon, attention is particularly directed to the fact that by means of newspapers, the farmers are kept in constant touch with the state of the markets. It would appear, however, that a wide diffusion of the telephone, such as is taking place in many parts of Canada, with a trunk line system connecting the services of the several municipalities, would answer this purpose even better than a newspaper. If, by this means, provision is made for all urgent business in rural communities, it is believed that the present arrangements which are being constantly improved, will afford ample means for the exchange of ordinary business and social correspondence and for the delivery of newspapers and periodicals.

The statement is frequently made as an argument in favour of the establishment of rural free delivery that the good roads movement has made such rapid progress and as a result so much improvement has been effected in their condition, that they are now practically all that could be desired. That the roads are not in the good condition that is generally supposed is borne out by the fact that at a recent county convention of rural free delivery carriers in Ohio the matter was the subject of much discussion when it was brought forth that many of the roads were in a very bad condition and the mail boxes not kept up, contrary to the order of the government. This we can verify, as some of the roads over which we passed were badly in need of repair. It is a comparatively easy matter to make regulations, but quite another to make good roads, and equally difficult to compel the patrons of the rural districts to maintain good roads, as stipulated in the regulations supposed to govern rural free delivery.

The people of the Dominion of Canada are for the most part engaged in farming. In fact, Canada is an agricultural rather than a commercial or manufacturing country. It has been stated, and the fact is, we think, beyond question that the bulk of

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taxation required for the purpose of government is contributed by the farming community. The free delivery system was commenced in the United States as an experiment, but the system at once became deep rooted, and insistent demand for its general adoption followed the experiment so closely as to have practically made it impossible for the government to recede, and the expansion has been so rapid as to render it quite beyond the power of the government to withhold or stay its hand in the question of its further extension, with the result that an annual deficit of many millions of dollars is being piled up, whilst but a very limited delivery, as stated in this report, is being effected. The establishment of rural free delivery might perhaps be of benefit to the farmers of Canada, especially those in the more thickly populated sections, but the cost would be tremendous. If a system of rural free delivery were inaugurated and put into operation throughout the Dominion generally (and once it is started its general adoption must follow) there would be an annual deficit of millions of dollars. The deficit amounting to several millions resulting from the establishment of this system of rural free delivery and consequently increasing expenditure could only be met by increased taxation, and the burden of this increased taxation would most assuredly be borne by the agricultural population.

A point not to be lost sight of is the rapid increase of population taking place in the northwestern provinces, and the obligation under which the department lies to meet the reasonable demands of the new settlers for mail accommodation. The settlements cover an immense tract of country, and the cost of providing adequate service will make constantly augmented demands on the funds available for the department.

Those who assume that, because the United States has instituted rural free delivery service, it is necessary that Canada should do the same thing, do not perhaps sufficiently consider the immense disparity between the two countries in the matter of population. Before the United States took the scheme in contemplation, it had a population of between 80 and 90 millions, whereas Canada has only between six and seven millions, although the difference between the two countries in extent of inhabited or inhabitable territory is not very great. The United States has the largest revenue of any postal administration in the world, and its outlay for rural delivery, great as it is, is not a very considerable percentage of the total revenue. The outlay for rural delivery in the United States, however, is more than three times the total revenue of the Canadian administration.

It has been suggested that Canada enter upon the scheme in an experimental way, not finally determining its policy until the results appear. The experience of the United States would not appear to encourage this suggestion. Rural free delivery was only experimental in that country as late as 1897, in that year \$40,000 being devoted by Congress for that purpose. The demand, however, from all sides quickly took the department off its feet. Before the results of the experiments could be known, it was compelled to accept rural free delivery as an integral part of its postal system, and in four years the \$40,000 has risen to \$1,750,000. In the succeeding years, the course of expenditure has been still more precipitate, until in the report of 1904, the Postmaster General announces that there will be required no less a sum than \$26,822,900 for the year 1905-6.

In view of the facts herein set forth, we are of the opinion that the time has not yet arrived for this department to enter upon a rural free delivery service.

WILLIAM SMITH,
Secretary.

GEORGE ROSS,
Chief Post Office Superintendent.

